

Dear Economic Development Colleague:

It is my pleasure to share with you the annual report of the Indiana Development Finance Authority (IDFA) for fiscal year 2000-2001.

During fiscal year 2000-2001, IDFA supported business growth and job creation and retention by helping 348 Indiana companies and organizations finance economic development projects. IDFA issued bonds and loan guaranties and awarded volume cap for tax-exempt bonds that led to the creation of over 1,944 new jobs. IDFA's Capital Access Program alone allowed participating banks to make loans to 306 companies that resulted in 599 new jobs in Indiana.

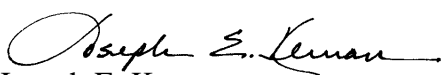
In addition to business growth and job creation efforts, IDFA also tackled brownfields redevelopment with grants totaling \$585,355 to local communities to assist them in assessing brownfields contamination, as well as \$2,461,466 in low-interest loans to remediate contaminated sites.

And finally, as Indiana's economy continues to evolve, IDFA has enhanced its tools to promote the growth of high-technology businesses. Both the Cap and the Loan Guarantee programs have been modified to encourage lending to high-tech, high growth Indiana companies-companies that are key to our state's future success.

I am certain you will find IDFA's annual report informative. We welcome any comments about our programs or ways that we can assist you in your efforts. I look forward to continuing to work with you in the future.

Thank you.

Sincerely,



Joseph E. Kernan
Lieutenant Governor
IDFA Secretary-Manager

I n d i a n a

Development Finance Authority

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Introduction

The Indiana Development Finance Authority (IDFA) was created by the Indiana General Assembly in 1990 to promote economic development and job creation and retention through the use of a variety of debt financing tools. In partnership with the private sector and other state and local economic development agencies, IDFA issues bonds, loan guaranties and other forms of credit enhancement to help support growing Indiana businesses.

The IDFA Board is comprised of nine members: the Lieutenant Governor, the Treasurer of State, and seven Indiana residents appointed by the Governor, not more than four of whom may be from the same political party. Six full-time professional staff conducts the daily business of the agency.

The IDFA continues to support economic, community and business development in Indiana by adding new, creative enhancements and modifying existing programs to meet the needs of Indiana's new economy.

The IDFA is dedicated to helping Indiana businesses and communities grow and prosper in an evolving economy.

Indiana

Development Finance Authority

Capital Access Program

THE CAPITAL ACCESS PROGRAM (CAP) is one of the most widely used credit enhancement programs in the State. Other states have used the Indiana CAP as a model to start their programs. Indiana's CAP is one of the top five programs in the country in number of loans, total dollars made available to small businesses and number of lenders participating. The Program creates a reserve account from contributions from the borrower, the lender and the IDFA that can be used to help offset losses on CAP loans.

CAP allows lenders to make loans they might not otherwise be able to make without the enhancement. Delinquencies and losses are low for a "high-risk" program; CAP's overall losses are under 3%.

The added enhancement features for *high-tech/high-growth companies, child-care borrowers and minority business owners* help lenders to be competitive in their markets and responsive to client needs. CAP loans made to *minority owned businesses* receive 2 times the usual IDFA match, and loans made to *high-tech/high-growth companies and child-care borrowers* receive 3 times the usual match.

The IDFA has partnered with 35 lending institutions in the State to make over 2,400 loans for approximately \$113,600,000 in capital to Indiana's small businesses. The average loan size is \$46,949. Approximately 25,000 Hoosier jobs have been created or retained with the CAP.

The following lenders have made over 100 loans each using the Capital Access Program:

1st Source Bank, South Bend	119 loans
Bank One, Indiana	675 loans
Fifth Third, Indiana	334 loans
Horizon Bank, Michigan City	188 loans
Mercantile National Bank, Portage	153 loans
National City Bank, Indiana	395 loans
Union Planters, Indiana	139 loans

State Private Activity Bond Ceiling & 2000-01 Volume Cap

STATE PRIVATE ACTIVITY BOND CEILING

IDFA administers Indiana's State Private Activity Bond Ceiling (also referred to as "Volume Cap"). Federal law establishes a limit on the amount of certain tax-exempt private activity bonds that may be issued within a state in a calendar year. This limit was set at \$50 per capita in 2000 and was increased to \$62.50 in 2001, which resulted in \$297,145,050 in bond volume available to Indiana issuers in Calendar Year 2000, and \$380,030,312 in Calendar Year 2001. All Indiana issuers apply to IDFA when issuing private activity bonds subject to Volume Cap.

Under state law, Indiana's volume cap is initially allocated among four categories:

State-Issued Bonds

Indiana Development Finance Authority	10%
Indiana Housing Finance Authority	28%

Locally-Issued Bonds

Manufacturing and certain exempt facilities	42%
Low-income, multi-family housing projects	20%

Pursuant to IDFA's Volume Cap Guidelines, volume cap for manufacturing projects is awarded monthly January thru October on a competitive basis, which considers the number of jobs created, jobs retained, investment, average wages, and the location of the project, among other factors. Low-income, multi-family housing volume cap requests are reviewed by the Indiana Housing Finance Authority twice a year pursuant to guidelines consistent with IHFA's tax credit allocation plan.

2000-01 Volume Cap

Indiana has allocated all of its volume cap each year since 1995. Volume cap was distributed to manufacturing projects by awarding approximately 10% of available funds each month. As of June 30, 2001, approximately 21% of the Volume Cap available in Indiana for Calendar Year 2001 had been reserved. Tax-exempt financing allows Indiana companies to finance capital expenditures at a lower long-term cost.

2000 Calendar Year Volume Cap Awards

<u>PROJECT</u>	<u>COUNTY</u>	<u>ISSUE DATE</u>	<u>JOBS CREATED</u>	<u>AMOUNT ISSUED</u>	<u>CAPITAL INVESTMENT</u>
Apollo Design Technology, Inc.	Allen	02/29/2000	24	\$ 907,700	\$ 1,239,205
Starke County Development (Norton Packaging)	Starke	03/02/2000	24	\$ 806,600	\$ 1,906,600
C & C Fiberglass, Inc.	Marshall	05/03/2000	35	\$ 850,000	\$ 910,000
Toyota Manufacturing	Gibson	02/16/2000	325	\$10,000,000	\$175,000,000

Indiana

Development Finance Authority

2000-01 Volume Cap, Continued

<u>PROJECT</u>	<u>COUNTY</u>	<u>ISSUE DATE</u>	<u>JOBS CREATED</u>	<u>AMOUNT ISSUED</u>	<u>CAPITAL INVESTMENT</u>
Washington Township Water	Monroe	02/16/2000	2	\$ 1,315,000	N/A
Genesis Plastics & Engineering	Scott	02/29/2000	24	\$ 2,000,000	\$ 2,000,000
American Iron Oxide Co.	Spencer	03/02/2000	7	\$ 3,680,000	\$ 24,757,000
Atchison Indiana, LLC	St. Joseph	03/23/2000	50	\$ 9,500,000	\$ 17,000,000
Georgia-Pacific Corporation	Jasper	04/06/2000	25	\$10,000,000	\$ 65,000,000
PHD, Inc.	Allen	05/03/2000	35	\$ 3,200,000	\$ 3,400,000
Wabash Valley Packaging	Vigo	05/18/2000	45	\$ 5,500,000	\$ 5,500,000
EFTEC, Inc.	Shelby	05/25/2000	98	\$10,000,000	\$ 16,712,374
Deluxe Sheet Metal, Inc.	St. Joseph	06/13/2000	13	\$ 2,000,000	\$ 2,500,000
Universal Bearings, Inc.	Marshall	06/21/2000	80	\$ 4,000,000	\$ 4,000,000
Ohio Valley Aluminum Co., LLC (dba Custom Extrusions)	Fayette	06/21/2000	63	\$ 9,000,000	\$ 9,000,000
American Plastic Molding Corp.	Scott	06/27/2000	35	\$ 1,500,000	\$ 3,000,000
Single Family Mortgage	N/A	02/24/2000	N/A	\$10,950,000	N/A
Single Family Mortgage	N/A	05/04/2000	N/A	\$24,000,000	N/A
Single Family Mortgage	N/A	06/29/2000	N/A	\$16,550,000	N/A
Single Family Mortgage	N/A	05/18/2232	N/A	\$20,000,000	N/A
The Overlook Apartments	Elkhart	05/18/2000	N/A	\$ 8,200,000	N/A
Lincoln Village Apartments	Dubois	10/18/2000	N/A	\$ 2,350,000	N/A
Fore Armstrong Farm Apts.	Clark	10/20/2000	N/A	\$ 8,246,000	N/A
Carriage House South Apts.	Marion	10/20/2000	N/A	\$10,000,000	N/A
Bedford Park Apartments	Marion	10/24/2000	N/A	\$ 9,325,000	N/A

2001 Calendar Year Volume Cap Awards through June 30, 2001

<u>PROJECT</u>	<u>COUNTY</u>	<u>ISSUE DATE</u>	<u>JOBS CREATED</u>	<u>AMOUNT ISSUED</u>	<u>CAPITAL INVESTMENT</u>
TTP, Inc.	Kosciusko	2/27/01	30	\$ 2,400,000	\$ 2,900,000
Scott Pet Products	Parke	5/24/01	25	\$ 1,500,000	\$ 3,875,000
Advanced Machine & Tool	Allen	2/19/01	33	\$ 2,500,000	\$ 2,800,000
Toyota Motor Manufacturing	Gibson	2/22/01	333	\$10,000,000	\$ 166,00,000
Tri Aerospace, LLC	Vigo	2/22/01	4	\$ 2,200,000	\$ 3,300,000
Amoco Oil Company Whiting	Lake	2/27/01	0	\$ 2,400,000	\$ 93,400,000
Flair Interiors, Inc.	Elkhart	3/02/01	45	\$ 1,200,000	\$ 1,200,000
Advanced Technology, Inc.	Elkhart	4/27/01	56	\$ 2,600,000	\$ 2,600,000
Mariposa of Indiana, Inc.	Porter	5/24/01	146	\$ 7,000,000	\$ 11000,000
APR Properties, LLC	Shelby	7/02/01	25	\$ 2,250,000	\$ 2,250,000
Canterbury House Apartments	Monroe	7/20/01	N/A	\$10,000,000	N/A
Washington Highland Apts.	Daviess	7/20/01	N/A	\$ 1,450,000	N/A
Marcy Village Apartments	Marion	7/20/01	N/A	\$ 7,735,000	N/A

Bonds Issued by IDFA Continued

Small Bond Program

Small companies traditionally have been unable to take advantage of tax-exempt financing because of high up-front legal and administrative costs. Under the Small Bond Program, borrowers utilize standard bond documents and enjoy reduced fees and a streamlined process for issuing bonds. The individual bonds are purchased and held by Indiana banks to further reduce issuing costs, and the banks review the issues under their normal credit underwriting standards. Bond issues of \$1,000,000 or less are eligible for the Program, which is limited by federal law to primarily manufacturing and not-for-profit firms. The following bonds were issued in FY 00-01 under the Small Bond Program.

Briton Mold & Engineering, Inc.: \$1,000,000. Briton Mold manufactures various plastic injection parts and molds and is located in Evansville. Bond proceeds will be used for the expansion of an existing facility and to purchase two new injection plastics machines. The company currently employs 14 individuals and expects to create 17 new jobs in the next three years. The bonds were purchased by Fifth Third Bank.

Automatic Tool Control & Management Systems, Inc. (ATC): \$1,000,000. ATC manufactures intelligent gas flow and leak sensors, flow calibrators, leak-test instruments and test stands. Bond proceeds will be used for the acquisition, construction, installation and equipping of a new manufacturing facility in Indianapolis. Funds will further be used for the purchase of equipment and machinery. ATC currently employs 13 people and expects to create 36 new jobs in the next three years. The bonds were purchased by Union Planters Bank, N.A.

R Concepts, Inc.: \$800,000. R Concepts manufactures truck mounted toolboxes, bumpers and other fabricated items. The company currently employs 91 individuals and is expected to increase its workforce with the creation of an additional 35 jobs within the next three years. Bond proceeds will be used for the acquisition and installation of equipment and machinery to be utilized in its existing manufacturing facility located in Elkhart. The bonds were purchased by Bank One, N.A.

The Michigan City Child Care Consortium, Inc.: \$495,000. The Consortium proposes to care for up to 93 children during three shifts for infants through age six. It will also provide before and after care for up to 30 children up to age twelve. Bond proceeds were used for the construction of a new 9,100 square foot facility located in Michigan City with six classrooms, a full-size commercial kitchen, a multipurpose room of 2,000 square feet, a staff lounge, isolation room, storage room and bathrooms. The Consortium expects to create 15 new jobs. The bonds were purchased by Fifth Third Bank.

Additionally, the IDFA put \$25,000 into a debt reserve fund that would be available in case the borrower has trouble meeting debt service payments in any particular month. The \$25,000 will enable Fifth Third to lower the interest rate to six and one quarter percent.

Indiana

Development Finance Authority

Bonds Issued by IDFA, Continued

Adaptive Technologies, Inc.: \$500,000. Adaptive manufactures custom-designed, automated manufacturing equipment, primarily for the electronics industry. The company currently employs 26 individuals and expects to create 18 new jobs in the next three years. Bond proceeds will be used for the acquisition, construction, installation and equipping of a new, approximately 14,000 square foot manufacturing facility, to be located in Huntertown, together with the purchase of equipment and machinery. The bonds were purchased by Bank One, N.A.

Roembke Manufacturing & Design, Inc.: \$1,000,000. Roembke manufactures precision rubber molds. The company currently employs 60 and expects to expand that by adding an additional 12 new jobs in the next three years. Bond proceeds will be used for the acquisition, construction, installation and equipping of an approximately 36,500 square foot addition to the existing manufacturing facility, located in Ossian, and for the purchase of machinery and equipment. The bonds were purchased by Bank One, N.A.

MS Holdings, LLC: \$950,000. MS manufactures ice cream machines, frozen beverage machines, cappuccino machines, bakery racks, heater/proofer cabinets and steel tables. The company currently employs 50 individuals and plans to create an additional 30 positions over the next three years. Bond proceeds will be used for the purchase of property and minor office remodeling located in Mooresville. The bonds were purchased by Busey Bank.

Artek, Inc.: \$1,000,000. Artek manufactures ultra-high molecular weight polyethylene – a tough, wear-resistant plastic. The company presently employs 31 and expects to create an additional 12 jobs in the next three years. Bond proceeds will be used for the acquisition, construction, installation and equipping of an approximately 20,000 square foot addition to an existing manufacturing facility located in Fort Wayne and the purchase of machinery and equipment. The bonds were purchased by Bank One, N.A.

Irvine Shade & Door, Inc.: \$600,000. Irvine manufactures pleated window shades, pleated folding doors, pleated shower doors and glass shower enclosures. The company presently employs 55 individuals and expects to create an additional 15 new positions in the next three years. Bond proceeds will be used for the acquisition, construction, installation and equipping of an approximately 25,200 square foot manufacturing facility, to be located in Elkhart, together with the purchase of machinery and equipment. The bonds were purchased by Bank One, N.A.

Chisholm Lumber & Supply Co., Inc.: \$1,000,000. Chisholm manufactures millwork. Located in Indianapolis, the company currently employs 34 individuals and expects to create 12 new jobs in the next three years. Bond proceeds will be used for the acquisition, construction, installation and equipping of an approximately 83,612 square foot manufacturing facility, together with the purchase of machinery and equipment. The bonds were purchased by Bank One, N.A.

Regular Bonds

IDFA also acts as a conduit bond issuer for larger bond issues when the local issuer is unable to issue the bonds.

Dekko Extrusion Technologies: \$1,300,000. Dekko manufactures plastic profile extrusion trim components and assemblies. The company currently employs 2 individuals and expects to create 34 new jobs in the next three years. Bond proceeds will be used in the acquisition of a 30,000 square foot facility to be located in Kendallville.

Bonds Issued by IDFA, Continued

T.E. Scott, Inc.: \$5,000,000. Located in Rockville, T.E. Scott manufactures pet products. Of the awarded \$5,000,000 bond issue, \$1.5 million will be tax-exempt, with the proceeds going to Harlan Development Company, while the remaining \$3.5 million will be taxable, with the proceeds going to Scott Pet Products. Both companies are affiliated. Overall bond proceeds will be used for the acquisition, construction, installation, rehabilitation, renovation or enlargement of land, site improvements, infrastructure improvements, buildings, structures, machinery, equipment, furnishings or facilities for the manufacture of pet products. The company currently employs 82 individuals and expects to create 25 new jobs in the next three years.

I.V.C. Industrial Coatings, Inc.: \$8,000,000. I.V.C. manufactures powder coatings. The company currently employs 45 and anticipates creating 60 new jobs in the next three years. Bond proceeds will be used for the construction of a 50,000 square foot facility located in Brazil.

Natare Corporation: \$1,000,000. Natare offers a comprehensive selection of systems, equipment and services which have helped to create, construct, and operate state of the art swimming pools, water features and aquatic facilities worldwide. The company currently employs 25 individuals and expects to create 16 new jobs in the next three years. Bond proceeds will be used for the acquisition and rehabilitation of an approximately 16,968 square foot manufacturing facility, located in Indianapolis, plus the construction of a 9,200 square foot addition thereto, together with the purchase of machinery and equipment.

Aeromet Industries, Inc.: \$1,500,000. Aeromet manufactures winding reels for steel manufacturing. The facility, located in Griffith, currently employs 78 and anticipates the creation of an additional 24 new jobs over the next three years. Bond proceeds will be used for the construction of a 21,600 square foot building addition (expansion) complete with one new computer-controlled horizontal boring mill and one overhead crane.

Custom Lights, Inc.: \$3,000,000. Custom Lights manufactures architectural lighting fixtures. The company currently employs 158 individuals and expects to create 35 new jobs over the next three years. Bond proceeds will be used for the acquisition, construction, installation and equipping of an approximately 68,000 square foot manufacturing facility, located in Garrett, together with the purchase of machinery and equipment.

TTP, Inc.: \$2,400,000. TTP manufactures diesel engines, transmissions and differentials. Bond proceeds will be used for the acquisition of approximately 20 acres of land, construction of a 62,000 square foot building and purchase of machinery and equipment. The new facility will be located in Pierceton and is expected to create 30 new jobs in the next three years.

501(c)(3) Bonds

The IDFA issues bonds for the benefit of not-for-profit entities that are either industrial development projects or serve charitable or educational purposes.

SCAN, Inc. d/b/a the Parent + Child Connection: \$1,000,000. SCAN is a not-for-profit organization established exclusively for charitable and educational purposes for the prevention of child abuse and neglect. Bond proceeds will be used for the acquisition and renovation of a 17,344 square foot building, located in Fort Wayne, to be used for office and training space. The company currently employs 72 individuals and plans to create an additional 27 new jobs in the next three years.

Noble, Inc.: \$700,000. Noble is a not-for-profit organization serving over 2,000 individuals with developmental disabilities and their families in nine different locations throughout central Indiana. Bond proceeds will be used for the renovation of an approximately 13,000 square foot area within an approximately 43,000 square foot facility. Noble currently employs 238 and is expected to create an additional 9 new jobs within the next three years.

Indiana

Development Finance Authority

Bonds Issued by IDFA, Continued

Oak Farm School, Inc./Community Capital, Inc.: \$3,000,000. Located in Avilla, Oak Farm provides a non-traditional educational choice to this rural area. The facility currently employs 6 individuals and expects to create 15 new jobs in the next three years. Bond proceeds will be used for the renovation of and additions to existing facilities, the construction of equestrian facilities and the construction of classroom facilities as well as drainage and infrastructure.

Cole Center Young Men's Christian Association (YMCA), Inc.: \$5,500,000. The Cole Center Family YMCA has been providing recreational programs for individuals' ages six months to senior citizens for 25 years. The center currently employs 70 individuals and expects to create an additional 70 new positions in the next three years. Bond proceeds will be used for the renovation of the existing facility, located in Kendallville, as well as construction of an addition there to, including a new pool, gym, fitness center, two locker rooms, a walking/running track, and relocation of the preschool to the main level.

Fort Wayne Montessori Association, Inc. d/b/a Three Rivers Montessori School: \$775,000. Three Rivers serves New Haven and the surrounding communities by providing a Montessori-based educational system for children ranging in age from 18 months to nine years. The school is located in New Haven. Three Rivers currently employs 30 individuals and expects to create 6 new jobs in the next three years. Bond proceeds will be used for the extension of an existing preschool building, site work for additional parking, construction of a wrought iron fence, and the acquisition of various equipment.

Anthony Wayne Area Council, Inc./Boy Scouts of America: \$1,000,000. Located in Fort Wayne, the Anthony Wayne Council serves more than 13,132 youth in eleven counties of northeast Indiana. The Council currently employs 21 full-time and 42 summer camp, part-time seasonal individuals and expects to create an additional 4 new jobs in the next three years. Bond proceeds will be used for the construction of a 15,000 square foot, two story building. The facility's lower level will be used as a volunteer training center, and the upper level will be used as an office complex.

The Academy of Model Aeronautics: \$4,200,000. The Academy of Model Aeronautics promotes model aviation through its museum as well as through its various educational programs. Bond proceeds will be used for the construction of an approximately 25,000 square foot facility located in Muncie to be utilized as its world headquarters for model aviation and to refinance existing taxable indebtedness. The Academy is expected to create 3 new jobs in the next three years.

Indianapolis Museum of Art, Inc.: \$30,000,000 (up to \$90,000,000). The Museum was founded in 1883 and has one of the finest collections of art in the country, including paintings by Japanese masters of the Edo period, masks of power and beauty from Africa, paintings by the great European masters, exquisite objects by nineteenth-century metalsmiths and contemporary studio glass artists, and superb rugs from Western Asia. This bond is the first in a series totaling up to \$90,000,000 to be used for the construction, expansion, addition and renovation to the Museum's existing site. The entire project will take between three and four years to reach completion. The Museum currently employs 210 individuals and expects to create an additional 30 new jobs in the next three years.

Refunding Bonds

No refunding bonds were issued during the 2000-2001 fiscal year.

Industrial Development Project Guaranty

INDUSTRIAL DEVELOPMENT PROJECT GUARANTY PROGRAM

IDFA's Loan Guaranty Program works with lenders all over the State to provide funding to promising Indiana businesses that may not be eligible for conventional financing. The Program supports high growth/high technology companies, industrial development projects, rural development projects and agricultural enterprises.

IDFA partners with other resources, such as (SBA) Small Business Administration and (USDA), United State Department of Agriculture to enhance business credits, spread the risk, leverage Program dollars and make funding available to more Hoosier businesses. State, federal and local resources come together to support the continued growth of Indiana's economy.

IDFA provides guaranties for loans to Hoosier businesses as high-tech as the company that creates testing equipment and research models for NASA space missions, to as down-to-earth as a manufacturer of top quality, new design agriculture crop sprayers.

The IDFA has participated in the funding of more than 85 loans providing over \$86 million in guaranteed loans to Indiana businesses.

IDFA guaranteed a \$500,000 Agricultural Rural Development Fund loan for Bank One to AITF Services, LLC, a Northeast Indiana company that specializes in producing automated manufacturing systems and equipment. This funding will allow for the creation of 20 new jobs.

IDFA guaranteed a \$466,667 loan for Fifth Third to Expidant, Inc. a high tech, high-growth company in Indianapolis. This funding will allow Expidant to position itself for future growth and to create high-wage positions for highly skilled, highly educated Hoosiers.

Indiana

Development Finance Authority

Environmental Remediation Revolving Loan Fund

Brownfield Redevelopment Program

As cities, towns and counties across Indiana grapple with maintaining and strengthening their economic development efforts, problems related to unplanned or uncontrolled community growth are also moving to the forefront of community awareness. Fortunately the concept of brownfields redevelopment provides a convenient and intuitive nexus for bolstering economic development and addressing urban sprawl.

A "brownfield" – defined as property that is abandoned or underutilized due to the actual or perceived threat of environmental contamination – is located in most, if not every, Indiana community. When unaddressed, their presence leads to diminished economic capacity due to lost tax revenue, lower property values, and the relocation of neighboring businesses from their typical urban locations to undeveloped and often unimproved "greenfields."

As in preceding years, the 2000/2001 fiscal year involved significant interest in funding from IDFA for brownfields redevelopment efforts. We also note the continued trend within Indiana communities to develop and implement their own local brownfield strategies. All Indiana communities can obtain direct financial assistance through the Indiana Environmental Remediation Revolving Loan Fund (the "Brownfields Fund") as well as technical assistance through the Brownfields Program. Communities that have utilized the Brownfields Fund are now discovering successful and proactive methods for reclaiming their brownfields.

Financial Assistance in Fiscal Year 2000/2001 – IDFA continued its co-administration of the State's Brownfields Program – a collaboration between the Indiana Department of Environmental Management (IDEM) and the IDFA – through the management of the Brownfields Fund.

Grants are available for site investigations, and low-interest loans are available for environmental remediation and significant demolition activities. During Fiscal Year 2000/2001, IDFA awarded \$585,355 in site investigation grants to twenty (20) different communities and \$2,461,466 in partially forgivable loans for remediation to four (4) different communities.

The capability to forgive up to 20% of a low-interest loan – a Program incentive established in 1999 through the passage of HEA 1909 - proved to be a valuable resource for communities that would have otherwise not been able to use the Brownfields Fund. After meeting specific eligibility criteria in the application process, all four of the loan recipients from the last fiscal year will receive forgiveness for a total of \$492,293 in loan liability, once they have met their own specific economic development goals.

Since the start of the Program in 1998, the Brownfields Fund has provided more than \$8,374,972 (includes awards and commitments) in grant and low-interest loan funding to more than 79 different communities across Indiana.

Brownfield Site Assessment Grants

Brownfield Site Assessment Grants ROUND SEVEN - AWARDED FALL 2000 \$328,932 in grants awarded

SHELBY COUNTY

Grant Award: \$32,492

Category: Large Community

Project Description:

The 22 acre brownfield site being addressed by Shelby County through this grant has historically been used as an animal rendering facility, but has been vacant and thus significantly underutilized for over a decade. In addition to vacant and collapsing structures at the site, sludge lagoons and storage tank areas from the former operations have also contributed to the environmental concerns at the site. Proposed reuses of the property have ranged from recreational to warehousing. Environmental activities performed at the site included an asbestos survey, in addition to soil, sludge and groundwater sampling.

GARY

Grant Award: \$29,521

Category: Large Community

Project Description:

Downtown Gary has been the target of dedicated revitalization efforts in recent months. This project will allow for the assessment of the downtown property known as Slick's Dry Cleaners, which has been unoccupied for over five years. Environmental activities performed at the Slick's property included soil and groundwater sampling, as well as an asbestos survey. Plans for the future reuse of the property will be for a small eatery and/or commercial and retail outlets.

INDIANAPOLIS

Grant Award: \$39,299

Category: Large Community

Project Description:

Leased to Tuchman Cleaners for equipment storage, this near downtown property has a history of activities associated with the dry cleaning industry. The purchase and redevelopment of the site, pending the nature and cost of environmental remediation at the site, will be completed by the adjacent property owner – a commercial printing business that has experienced rapid growth in recent months. It is anticipated that a favorable assessment will allow this neighboring business to undertake a planned \$4 million expansion.

Indiana

Development Finance Authority

Brownfield Site Assessment Grants, Continued

SOUTH BEND

Grant Award: \$35,382

Category: Large Community

Project Description:

Known locally as the former Drewry's Brewery Complex, this brownfield site has been either vacant or grossly underutilized for many years. The site encompasses over 16 acres, has a number of structures that are in various stages of disrepair, and is in close proximity to an inner-city park and two elementary schools. With the support of a local developer, the Mayor's office, and the neighborhood association, the planned reuse of the property will focus either on business incubation or on mixed-use commercial and residential redevelopment, depending on the final results of the environmental investigation activities and cost of remediation.

RICHMOND

Grant Award: \$19,167

Category: Large Community

Project Description:

Referred to as the Gorge Redevelopment project, this site is part of an effort to reclaim an area along the Whitewater River that includes facilities that gave rise to Richmond's reputation as the birthplace of recorded jazz. The City's Comprehensive Plan details a wide range of future uses for the larger gorge area, but this specific brownfield site will potentially house a jazz museum, an outdoor amphitheater, and will incorporate a recreational trail linking other trailways along the gorge. Staged environmental investigation activities have commenced and are still underway.

LOGANSPOUT

Grant Award: \$14,995

Category: Small Community

Project Description:

This brownfield property – abandoned and vacant since 1992 – has been used over the last 50 years as either a gas station or an auto repair shop. Following assessment, and remediation if necessary, the site is to be torn down by City Street Department, and a single-family dwelling will be erected by a local community organization. Underground storage tanks were present on the site and another brownfields tool – the Abandoned Tank Community Assistance Program (ATCAP) at the Indiana Department of Environmental Management – was used to fund and manage removal of the tanks.

Brownfield Site Assessment Grants, Continued

KEWANNA

Grant Award: \$26,946

Category: Small Community

Project Description:

With this grant award, the Town of Kewanna continues to address one of its priority brownfields projects. Used for several decades as a gas station, this site is currently in Kewanna's Economic Revitalization Area. The Town has received prior grant funding for this brownfield site and has also received a \$50,000 low-interest Brownfields Loan from IDFA for the removal and initial remediation of multiple underground storage tanks. The additional investigation activities funded under this request included soil and groundwater sampling in an effort to delineate the extent of contamination at the property.

NEW ALBANY

Grant Award: \$4,760

Category: Large Community

Project Description:

The historic Grand Theater and New Albany Inn in New Albany are considered cornerstones of aggressive, present-day Main Street revitalization efforts by the community. Constructed in 1875, both structures have seen a variety of uses over the past several decades but now face deterioration due to concerns over possible environmental concerns. New Albany has used its award to conduct asbestos and lead-paint surveys, thereby removing the environmental stigma that currently delays rehabilitation. Local efforts continue to return these landmarks to their former prominence.

HOWARD COUNTY

Grant Award: \$17,974

Category: Large Community

Project Description:

The grant award made to Howard County is an excellent example of county-led brownfields redevelopment. Located in Kokomo adjacent to the Continental Steel Superfund site, the project property has been historically used as both a maintenance garage and parking facility for semi-tractors and trailers. The exciting reuse plan for the property calls for a multi-use recycling and educational facility that will also accept household hazardous waste. Once constructed, the proposed facility will also house the Howard County Solid Waste District offices and will include a very unique "Outdoor Lab" for community educational purposes. This planned reuse is being further supported by a grant from the Indiana Department of Environmental Management.

Indiana

Development Finance Authority

Brownfield Site Assessment Grants, Continued

CONNERSVILLE

Grant Award: \$27,000

Category: Small Community

Project Description:

With this grant award, the City of Connersville addresses its first brownfields site through the Brownfields Fund. The site was most recently utilized as a metal plating facility, but has since been forced into bankruptcy after over 20 years of operation. Historical uses of the property have also been industrial/light manufacturing. Environmental investigation activities revealed the presence of soil and groundwater contamination, and Connersville indicated its intention to apply for supplemental funding in the next grant round.

PLYMOUTH

Grant Award: \$18,251

Category: Small Community

Project Description:

Plymouth, another first-time recipient of financial assistance from the Brownfields Fund, is using its grant to investigate a former bulk petroleum facility that is currently a vacant eyesore. In an excellent example of a brownfields partnership, the City of Plymouth and Marshal County have joined efforts to investigate and redevelop this property. The County also applied for and received an ATCAP award from IDEM to remove the underground storage tanks at the site.

GREENTOWN

Grant Award: \$19,495

Category: Small Community

Project Description:

The Town of Greentown seeks to restore one of its oldest local landmarks, known locally as the "Old Bank Building", with the assistance of this grant. Based on the results of its environmental assessment, the Greentown Historical Society will seek to convert the building into a historical center and will also locate its offices at the site. Environmental concerns at the property involved the possible presence of underground storage tanks on the property due to its historical use as a gas station, in addition to the possible presence of asbestos and lead paint typical of buildings of its era.

Brownfield Site Assessment Grants, Continued

BRAZIL

Grant Award: \$21,900

Category: Small Community

Project Description:

The site under investigation was formerly the location of a company whose primary business activity was scrap tire recycling. Through pyrolysis, tires were processed in hopes of creating petroleum intermediaries for subsequent re-sale. Unfortunately this endeavor failed and the company declared bankruptcy, leaving behind several-hundred-thousand scrap tires and associated wastes from the reclamation processes. In an excellent example of public-private partnership, Brazil utilized its grant award to assist a new business that has taken title to the property from the bankruptcy court. Completed environmental investigation activities will enable the new owner to remediate problems where necessary and attract other tenants to the site.

LAPORTE

Grant Award: \$21,750

Category: Small Community

Project Description:

The City of LaPorte was a previous recipient of IDFA grant funding in late 1999 for the investigation of a four-parcel assemblage in a targeted redevelopment area. These four sites included an industrial dump, a former manufacturing facility, a foundry site, and a former landfill. In partnership with the US Environmental Protection Agency, progress was made on completing previously identified field investigation activities. However, new factors have arisen, including difficult terrain conditions and the need for additional field data, that necessitated additional funding from the project partners.

Indiana

Development Finance Authority

Brownfield Site Assessment Grants, Continued

Brownfield Site Assessment Grants **ROUND EIGHT - AWARDED SPRING 2001** **\$256,423 in grants awarded**

CONNERSVILLE

Grant Award: \$18,252

Category: Small Community

Project Description:

Initially investigated with IDFA grant funds awarded in the Fall 2000 grant round (Round 7), this priority brownfields site in the City of Connersville was determined to have soil and groundwater contamination. However, since the extent of contamination was not known, supplemental grant funding was awarded to complete the investigation activities and to allow for the preparation of remediation estimates. The Fayette County Industrial Development Corporation is aggressively marketing the facility for future light manufacturing use, in cooperation with the bankruptcy trustee who currently controls the disposition of the property.

LOGANSPOUT

Grant Award: \$13,240

Category: Small Community

Project Description:

The City of Logansport, a first-time brownfield grant recipient in the Fall 2000 grant round (Round 7), received a second grant to assess another highly visible brownfield in its near downtown area. Located along the Eel River, this brownfield is unique in that it has recently been used simultaneously as a used car lot and for residential housing. The site was also once used as a gas station and still has underground storage tanks in place. Environmental investigation activities included soil and groundwater sampling and an asbestos survey. Redevelopment plans call for the on-site buildings to be demolished, allowing for redevelopment as either new residential property, a park, or for additional parking for neighboring rental property.

CAYUGA

Grant Award: \$4,411

Category: Small Community

Project Description:

The Town of Cayuga used its grant award to assess the old Cayuga Town Hall, a historic property in the heart of the Town. Over the past several decades the old Town Hall housed all of the Town's local government, including the fire and police departments. However, structural concerns caused the building to be vacated and asbestos and lead paint are current environmental concerns that must be addressed before the Town can fully consider its redevelopment alternatives. Future uses of the site that have been discussed by the Town include conversion of the site into a three day pharmacy and/or satellite library that will serve the local senior constituency.

TELL CITY

Grant Award: \$49,957

Category: Small Community

Project Description:

Tell City will use its first Brownfields Fund grant award to assess the environmental conditions at the former Tell City Chair Factory located in the middle of Tell City. Having begun operations in 1865, the factory was once the heart of the community. However, the company declared bankruptcy in 1996, idling four major buildings comprising over 500,000 square feet of space. Environmental investigation activities performed at this brownfields property included soil and groundwater sampling and an asbestos survey. Future reuse of the property will likely be for light manufacturing purposes or warehousing, although the City recognizes a wide range of possible end-uses.

Brownfield Site Assessment Grants, Continued

NAPPANEE

Grant Award: \$31,000

Category: Small Community

Project Description:

The City of Nappanee addresses its first major brownfield site with this grant award. The old Coppes Cabinet facility is a property that has been a landmark of the community since the early 1900s and has been investigated for any environmental impacts that may have resulted from its years of light industrial use. Following further study of the investigation results, the City of Nappanee Redevelopment Commission will seek to facilitate the sale of the property to an interested purchaser who plans to rehabilitate and redevelop the site.

SOUTH BEND

Grant Award: \$50,000

Category: Large Community

Project Description:

The City of South Bend continues its aggressive brownfield redevelopment activities with this award for two different brownfield projects. The first of these is supplemental funding for the former Drewry's Brewery complex which received grant funding in the Fall 2000 grant round (Round 7). Findings from that investigation led to the need for additional supplemental investigation of soil and groundwater near an underground storage tank area, as well as comprehensive lead paint testing. The second project to be funded by the balance of South Bend's grant award is the former Studebaker automotive manufacturing complex, a multi-building, 82 acre brownfield that has over 2.3 million square feet of vacant building space and is easily one of the three largest brownfield projects in Indiana. The IDFA investigation grant will be used for soil and groundwater sampling purposes; these activities are part of a several hundred thousand dollar investigation master plan that is also being funded by the Indiana Department of Commerce and a pending grant from the U. S. Department of Housing and Urban Development Neighborhood Initiative Program.

KOKOMO

Grant Award: \$20,700

Category: Large Community

Project Description:

The City of Kokomo will utilize a supplemental grant award to investigate a 10-acre brownfield site property known as the former Delco Electronics site. This site received IDFA grant funding in 1998 (Round 2) although the inconclusive findings of that investigation, coupled with the need for updated analysis, have stymied redevelopment at the site. The data generated from the environmental investigation activities will allow the City of Kokomo and the Howard County Economic Development Corporation to market the site for purchase and redevelopment by one of several interested parties.

I n d i a n a

Development Finance Authority

Brownfield Site Assessment Grants, Continued

HAMMOND

Grant Award: \$32,723

Category: Large Community

Project Description:

The City of Hammond is brownfield site investigated with its grant award will be part of the George Lake Watershed Restoration Project. The George Lake project is a long-term, large-scale project that will seek not only to redevelop brownfields around George Lake, but also to spur economic development, restore ecologically sensitive habitats, and provide opportunities for recreation. Phase I of the George Lake project resulted in the establishment of a youth golf course, and Phase II of the project will seek to expand upon the success of the youth course with the development of an adult course and other park and habitat-oriented facilities. The brownfields project property, which is part of a larger land assemblage, has been partially utilized by a local roofing business and historically as former research and development lab by Amoco.

SCOTTSBURG

Grant Award: \$33,140

Category: Small Community

Project Description:

The City of Scottsburg will use its first site assessment grant to investigate the environmental conditions at the former Scott Manufacturing facility. The facility is currently vacant, having been one of many properties acquired during the course of a corporate portfolio purchase. Site investigation activities are due to begin in the last quarter of 2001, and the project will likely be entered into the Voluntary Remediation Program. With the cooperation of the new owner, who will not reactivate the site for manufacturing purposes, the City of Scottsburg will participate in cleanup of the site. Remediation of the site will potentially allow for an adjacent business to expand its operations providing significant economic benefit to Scottsburg.

Brownfield Low Interest Loans

Brownfield Low-Interest Loans FISCAL YEAR 2000/2001 \$2,461,466.55 in loans awarded

HENDRICKS

Loan Award: \$767,000

Project Description:

Historically referred to as the former Warrick Sanitary Landfill, this brownfield property was once a local dump-site (landfill) since the 1970's. In 1979, the operating permit for the landfill was revoked, and the property was left in a state of incomplete closure. Hendricks County will re-loan the proceeds of the IDFA loan to the current site owner and project developer, Brownfields Development Group (BDG). BDG will properly close the landfill to present day environmental standards. Following closure, the property will be redeveloped by BDG into a planned unit development (PUD).

SHELBYVILLE

Loan Award: \$294,466.55

Project Description:

In November 1999, IDFA approved a partially forgivable brownfields loan to the City of Shelbyville for \$232,686.55. Due to contractual issues that arose between project stakeholders, Shelbyville did not act upon that loan commitment before it expired. Following the resolution of those contractual issues, Shelbyville was awarded a partially forgivable loan in the higher amount of \$294,466.55 to address all of the environmental and demolition issues at the site. Since the award, Shelbyville and its development partner, CVS Pharmacy, have moved quickly to remediate soil and groundwater at the site and to complete new construction. The site is now fully developed, and CVS operates a full service facility from what was once a blighted area in downtown Shelbyville.

RUSHVILLE

Loan Award: \$100,000

Project Description:

The City of Rushville received a \$100,000 partially forgivable brownfields loan to comprehensively address environmental issues, including lead and arsenic soil contamination, at a property known locally as the Ameitech site. The site has been historically used as both a wood and furniture manufacturing facility, and by securing a brownfields loan from IDFA, the City also honors a previous contract with a local bank. Site investigation and remediation activities are currently underway and the project may also be entered into the Indiana Voluntary Remediation Program. Once remediation nears completion, Rushville will pursue an industrial reuse for this promising local site.

SOUTH BEND

Loan Award: \$1,300,000

Project Description:

The City of South Bend received a \$1,300,000 partially forgivable brownfields loan to address environmental issues at the Robert Bosch Corporation facility in South Bend. Environmental activities to be conducted during 2001 and 2002 include asbestos and lead paint abatement, removal of contaminated metal dust, and disposal of mercury switches. Other redevelopment activities to be addressed with loan proceeds include the demolition of 147,000 square feet of unusable and deteriorating building space. The site has been the location of automotive parts manufacturing operations since 1923. Completion of the proposed redevelopment activities will allow Bosch to remain competitive in its industry and ultimately to remain in South Bend. The City of South Bend has agreed to re-loan the proceeds of its loan to Bosch for the completion of the work as part of a larger economic development package provided by the state to this international business interest.

Indiana

Development Finance Authority

Financial Statement - Auditors Commentary



REPORT OF INDEPENDENT AUDITORS ON COMBINED FINANCIAL STATEMENTS

Indiana Development Finance Authority
State of Indiana

We have audited the accompanying combined balance sheet of the Indiana Development Finance Authority (Authority), as of June 30, 2001, and the related combined statement of revenues, expenses and changes in fund balances for the year then ended. These combined financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for Audits of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2001, and the combined results of their operations and changes in fund balances for the year then ended.

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2001 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the combined financial statements of the Authority taken as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Crowe, Chizek and Company LLP
Crowe Chizek and Company LLP

Indianapolis, Indiana
October 23, 2001

Financial Statement, Continued

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES INFUND EQUITY – GOVERNMENTAL FUND TYPES Year ended June 30, 2001

	<u>General</u>	<u>Special Revenue</u>	Totals (Memorandum Only)
REVENUES			
Appropriations received	\$ -	\$ 7,168,750	\$ 7,168,750
Other state funding	-	16,205,145	16,205,145
Investment earnings, including loan interest	28,779	1,886,228	1,915,007
Realized and unrealized loss on investments	-	713,450	713,450
Financing fees and premiums (Note 12)	91,235	35,544	126,719
Other fee income	79,636	-	79,636
Rental income (Note 13)	17,356	-	17,356
Total revenues	<u>217,006</u>	<u>26,009,117</u>	<u>26,226,123</u>
EXPENDITURES			
Salaries and benefits	495,408	205,935	701,343
Professional services	68,849	-	68,849
Administrative expenses	90,292	521,412	611,704
Office rent (Note 13)	75,802	-	75,802
Bank and trustee fees	1,515	28,369	29,884
Allowance for guaranty claims (Note 6)	-	598,737	598,737
Allowance for forgivable loans (Notes 8 and 9)	-	1,765,093	1,765,093
Reimbursement agreement loss (Note 7)	-	4,031,122	4,031,122
Grant awards	-	17,813,691	17,813,691
Capital access program claims (Note 3)	-	1,018,695	1,018,695
Total expenditures	<u>731,866</u>	<u>25,983,054</u>	<u>26,714,920</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(514,860)	26,063	(488,797)
Operating transfers	<u>713,052</u>	<u>(713,052)</u>	-
Increase (decrease) in fund equity	198,192	(686,989)	(488,797)
FUND EQUITY (DEFICIT)			
Beginning of year	<u>202,833</u>	<u>30,568,432</u>	<u>30,771,265</u>
End of year	<u>\$ 401,025</u>	<u>\$ 29,881,443</u>	<u>\$ 30,282,468</u>

• See accompanying notes to combined financial statements.

Indiana

Development Finance Authority

Financial Statement, Continued

COMBINED BALANCE SHEET – GOVERNMENTAL FUND TYPES **June 30, 2001**

	<u>Governmental Fund Type</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
ASSETS			
Cash and cash equivalents (Note 2)	\$ 638,129	\$ 12,312,180	\$ 12,950,309
Investments (Note 2)	-	11,715,353	11,715,353
Accrued interest	589	219,458	220,047
CAP cash accounts (Note 3)	-	4,853,367	4,853,367
Due from other funds (Note 4)	440,341	1,176,690	1,617,031
Other accounts receivable	61,143	-	61,143
Loans receivable, net (Notes 5, 8, and 9)	<u>-</u>	<u>5,309,364</u>	<u>5,309,364</u>
	<u>\$ 1,140,202</u>	<u>\$ 35,586,412</u>	<u>\$ 36,726,614</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 62,487	\$ -	\$ 62,487
Due to other funds (Note 4)	676,690	940,341	1,617,031
Allowance for CAP claims (Note 3)	-	3,864,628	3,864,628
Allowance for guaranty claims (Note 6)	<u>-</u>	<u>900,000</u>	<u>900,000</u>
Total liabilities	<u>739,177</u>	<u>5,704,969</u>	<u>6,444,146</u>
FUND EQUITY			
Reserved (Note 11)	-	5,948,225	5,948,225
Unreserved	<u>401,025</u>	<u>23,933,218</u>	<u>24,334,243</u>
Total fund equity	<u>401,025</u>	<u>29,881,443</u>	<u>30,282,468</u>
	<u>\$ 1,140,202</u>	<u>\$ 35,586,412</u>	<u>\$ 36,726,614</u>

• See accompanying notes to combined financial statements.

Notes to Financial Statement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Indiana Development Finance Authority (the Authority) was established by the Indiana General Assembly, in 1990, as a body, both corporate and politic, to independently exercise essential public functions. The public purposes of the Authority are to: (a) promote opportunities for gainful employment and business opportunities by the promotion and development of industrial development projects, rural development projects, mining operations, international exports and agricultural operations; (b) promote educational enrichment (including cultural, intellectual, scientific or artistic opportunities) by the promotion and development of educational facility projects; (c) promote affordable farm credit and agricultural loan financing for farming and agricultural enterprises; (d) prevent and remediate environmental pollution by the promotion and development of industrial development projects; and (e) promote affordable childcare financing. The accompanying financial statements report only on the financial activities associated with the Authority, which is a component unit of the State of Indiana. The financial statements do not represent a comprehensive annual financial report of the State of Indiana.

Fund Accounting: The accounts of the Authority are organized based on funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, expenditures, and operating transfers, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type and combined for financial reporting purposes as government funds as follows:

General Fund: The General Fund is used to account for all activities of the Authority not required to be accounted for in another fund. Examples of activities accounted for in the General Fund include the State Private Activity Bond Ceiling Program, various bond issue and refunding programs, and operational budgets.

Special Revenue Funds: Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for a specified purpose. The Authority's Special Revenue Funds include the following:

The **Capital Access Program (CAP) Fund** enables banks to make loans to Indiana businesses that may not meet traditional lending requirements. The foundation of CAP is the establishment of a reserve fund into which the borrower, bank and the Authority contribute. When a CAP loan is made, the borrower and the bank each deposit a small percentage of the loan (1.5% - 3.5%) into the bank's reserve fund, and the Authority matches the combined payment. The reserve fund is available for the bank to use to cover losses of any loans made by it under the CAP program. Claims made during the year totaled \$1,018,695.

Indiana

Development Finance Authority

Notes to Financial Statement, Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The **Industrial Development Project Guaranty Fund (Guaranty Fund)** provides flexible loan guaranties to banks for various economic development projects. Indiana businesses that are unable to qualify for conventional financing can utilize the Authority's loan guaranty programs for high tech, industrial, rural and agriculture development projects. The loan guaranty program offers guaranties from 75% to 90% of the principal deficiency on a loan of up to \$2,000,000 for industrial development projects. At June 30, 2001, the Authority had outstanding guaranties aggregating approximately \$3,264,000 and no outstanding guaranty commitments.

The **Business Development Loan Fund** is used for activities relating to the Business Development Loan Program. The primary purpose of the Business Development Loan Fund is to grant loans to qualified borrowers so that they may carryout an industrial development project consistent with the requirements of the related statute (4-4-11-16.5). As of June 30, 2001, there was a \$1,000,000 loan commitment outstanding.

The **Rural and Agricultural Development Fund** is used for activities relating to the Rural and Agricultural Program. The Fund's primary purpose is to create or retain employment within the State of Indiana to benefit any agriculture enterprise or rural development project. The loan guaranty program offers guaranties from 75% to 90% of the principal deficiency on a loan of up to \$300,000 for rural and agriculture projects. At June 30, 2001, the Authority had outstanding guaranties aggregating \$300,000 and no outstanding guaranty or loan commitments.

The **Underground Storage Tank Fund** is used to account for the activities of the Underground Storage Tank (UST) Program, which assists low-income underground storage tank owners with the Environmental Protection Agency's 1998 upgrade/closure requirements. Grant expenses recognized during the year ended June 30, 2001 were \$19,700. Grant commitments at June 30, 2001 were \$11,200, and no outstanding loans or loan commitments at June 30, 2001.

The **Environmental Remediation Revolving Loan Fund** was created in 1997 by the General Assembly to facilitate economic development and environmental remediation for inactive or abandoned industrial or commercial property in which redevelopment is difficult due to environmental issues. The Authority administers the State's Brownfield Grant and Loan Program. There were approximately \$30,000 in grant commitments and no outstanding loan commitments at June 30, 2001.

Notes to Financial Statement, Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The **Indiana 21st Century Research and Technology Fund** was established by the State in 1999 to support the expansion of the high technology sector of Indiana's economy, with the expectation of creating significant economic impact and job growth. The Fund provides grant awards to Indiana businesses, institutions of higher educations and other organizations to compete for research and development funding; to stimulate the transfer of research and technology into marketable products; to diversify Indiana's economy through effective public/private partnerships. The State Budget Agency and the Fund's Board review grant submissions recommended by peer review panels and approve grant disbursements under the program.

At June 30, 2001, the Fund has awarded approximately \$49,100,000 in grant awards through executed agreements. The Authority administers the program and submits grantee claims to the State Budget Agency for draws under the program.

Basis of Accounting: The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become both measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include allowances for loans, guaranty and CAP claims and related commitments.

Memorandum Only – Total Columns: Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in fund equity (deficit) in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Indiana

Development Finance Authority

Notes to Financial Statement, Continued

NOTE 2 – CASH AND INVESTMENTS

The Authority maintains separate demand deposit or trust accounts for each fund. At June 30, 2001, the Authority's demand deposit account balances were \$1,598,365 and the bank balances were \$1,649,842. Trust account cash and money market accounts were \$11,351,744 at June 30, 2001. Investments made by the Authority are reported at market value and are summarized below:

	<u>Carrying Value</u>	<u>Market Value</u>
Repurchase agreements	\$ 728,894	\$ 728,894
Government and agency obligations	10,939,778	10,886,659
Corporate Notes and other investments	<u>100,000</u>	<u>99,800</u>
	<u>\$ 11,768,672</u>	<u>\$ 11,715,353</u>

Indiana statute authorizes the Authority to invest in obligations of the United States Treasury and U.S. agencies, repurchase agreements and other approved investment vehicles. Repurchase agreements are required to be fully collateralized by interest bearing obligations, as determined by the current market value computed on the day the agreement is effective. All investments are uninsured and unregistered (category 2), with securities held by bank trust departments in the Authority's name.

NOTE 3 – CAPITAL ACCESS PROGRAM (CAP) CASH

At June 30, 2001, CAP cash account balances held in participating banks in the Authority's name aggregated \$4,853,367. The balances include the Authority's matching payments on the aggregate of the borrowers' and banks' payments. An allowance of \$3,864,628 has been recorded for CAP claims based on aggregate borrower and lender contributions to the CAP program. All CAP cash accounts held by participating banks are pledged as security on CAP loans outstanding of \$47,895,681 at June 30, 2001. Since inception of the program, CAP has originated approximately \$113,600,000 of loans.

Notes to Financial Statement, Continued

NOTE 4 – DUE FROM AND DUE TO OTHER FUNDS

Funds are transferred from one fund to support expenditures of other funds in accordance with authority established for the individual fund. To the extent that certain transactions between funds have not been paid or received, interfund receivable and payable balances have been recorded at June 30, 2001.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 440,341	\$ 676,690
Capital Access Program Fund	-	84,078
Guaranty Fund	676,690	641,345
Business Development Loan Fund	-	5,163
Rural and Agricultural Development Fund	-	21,635
Environmental Remediation Revolving Loan Fund	500,000	92,884
Indiana 21st Century Research and Technology Fund	<u> </u>	<u>95,236</u>
	<u>\$ 1,617,031</u>	<u>\$ 1,617,031</u>

NOTE 5 – LOANS RECEIVABLE – GUARANTY FUND

Loans receivable under the Guaranty Fund were comprised for the following at June 30, 2001:

In June 1997, the Authority advanced \$450,000 under a promissory note to a company within Indiana. The note is payable in monthly installments of \$5,225, including interest at 7%, from June 1997 to July 2007. The note is secured by substantially all property, equipment, and inventory of the borrower.

\$ 316,152

In June 1997, the Authority advanced \$1,000,000 under a promissory note to a company within Indiana for equipment purchases and permanent working capital. The note is payable in monthly installments of \$12,485, including interest at 8.25%, from June 1997 to August 2007. The note is secured by substantially all property and equipment, inventory and personal guaranties of the borrower.

737,099

\$ 1,053,251

Interest earned on these loans during the year ended June 30, 2001 was approximately \$102,000.

Indiana

Development Finance Authority

Notes to Financial Statement, Continued

NOTE 6 - ALLOWANCE FOR CLAIMS - GUARANTY FUND

The Guaranty Fund was established by the Indiana General Assembly primarily for the purpose of guaranteeing various percentages of loans, bonds, letters of credit and equipment leases used by qualified lenders. Periodically, the Indiana General Assembly appropriates funds to the Guaranty Fund. Available funds may be increased or decreased by the income and expenses attributable to the Authority's Guaranty Program, including payments required upon guaranteed loan defaults.

Guaranties are not backed by the full faith and credit of the State of Indiana. Payments of guaranty claims can be made only from the Guaranty Fund. Currently, the Authority is authorized to extend guaranties aggregating eight times the amount of the Guaranty Fund balance. At June 30, 2001, the Authority had outstanding loan guaranties aggregating approximately \$3,264,000 and no outstanding loan guaranty commitments.

The Authority has also entered into certain agreements, which include a requirement that under certain circumstances the Authority either use existing guaranty funds or seek an appropriation from the Indiana General Assembly. In addition to projects described in Note 7, on May 25, 1995, the Authority issued \$21,400,000 aggregate principal amount of its Taxable Economic Development Revenue Bonds, Series 1995 (Steel Dynamics, Inc. Project) secured in part by a debt service reserve fund established exclusively for the Steel Dynamics Bonds. As of June 30, 2001, \$17,600,000 aggregate principal amount of the Steel Dynamics Bonds remain outstanding.

The Allowance for Guaranty Claims is recorded in the Special Revenue Fund (Guaranty Fund) and represent amounts that management estimates to be adequate to provide for future claims resulting from borrower defaults on loans, bonds or equipment leases guaranteed by the Authority pursuant to the guaranty program. In arriving at a judgment about the adequacy of the allowances, consideration has been given to problem guaranties, historical losses, economic conditions and other factors affecting the outstanding guaranties.

NOTE 7 – REIMBURSEMENT AGREEMENT LOSS – GUARANTY FUND

Qualitech Steel - The Authority is a party to an Amended Reimbursement Agreement with Qualitech Steel Corporation ("Qualitech") and Bank One, N.A. relating to the \$33,100,000 Indiana Development Authority Taxable Variable Rate Demand Economic Development Revenue Bonds, Series 1996 (the "Bonds"). The proceeds of the Bonds were used by Qualitech to help construct Qualitech's special bar quality steel mini-mill facility in Pittsboro, Indiana. The company filed for Chapter 11 bankruptcy in 1999, and the senior lenders purchased the assets of Qualitech in a credit bid. The senior lenders operated Qualitech SBQ, LLC until it ceased operations in January 2001. The Authority and the State of Indiana are working with local officials to encourage potential purchasers.

Notes to Financial Statement, Continued

NOTE 7 – REIMBURSEMENT AGREEMENT LOSS – GUARANTY FUND (Continued)

To induce the bank to issue a letter of credit used as credit enhancement in the marketing of the Bonds, the Authority agreed to certain provisions in the original Reimbursement Agreement. These provisions require the Authority, in the event of certain defaults by Qualitech, to either i) pay bond and related expenses from certain monies legally available to the Authority, or ii) seek an appropriation from the Indiana General Assembly to repay the bank the amounts due under the Reimbursement Agreement. The Amended Reimbursement Agreement requires that the Authority maintain the debt service reserve fund at the “fully-funded” level, and it stipulates no declaration of default so long as bond and related payments are made.

In the fiscal year ending June 30, 2001, the Authority made bond and related payments of approximately \$3,361,000 for Qualitech. In the 2001-2003 biennial budget, the Indiana General Assembly appropriated \$8,350,000 for Qualitech bond and related payments, negating the need to access any Authority guarantee funds in either FY 2002 or FY 2003.

The Authority could be obligated to pay the outstanding balance of the bond issue, which would result in recognition of losses in future years. The amount of this contingency is the outstanding principal of the Bonds totaling \$27,500,000. Debt service reserve funds aggregating over \$3,600,000 are currently held in trust and may be available to reduce the contingent obligation.

Heartland Steel - The Authority is a party to an Amended Reimbursement Agreement with Heartland Steel Corporation (“Heartland”) and Bank One, N.A. relating to the \$13,800,000 Indiana Development Authority Taxable Variable Rate Demand Economic Development Revenue Bonds, Series 1998 (the “Bonds”). The proceeds of the Bonds were used by Heartland to help construct Heartland’s steel mini-mill facility in Vigo County, IN. The company filed for Chapter 11 bankruptcy protection in January 2001, and the assets of the company were purchased by CSN, a Brazilian steel company.

To induce the bank to issue a letter of credit used as credit enhancement in the marketing of the Bonds, the Authority agreed to certain provisions in the original Reimbursement Agreement. These provisions require the Authority, in the event of certain defaults by Heartland, to either i) pay bond and related expenses from certain monies legally available to the Authority, or ii) seek an appropriation from the Indiana General Assembly to repay the bank the amounts due under the Reimbursement Agreement. The Amended Reimbursement Agreement requires that the Authority maintain the debt service reserve fund at the “fully-funded” level, and it stipulates no declaration of default so long as bond and related payments are made.

Indiana

Development Finance Authority

Notes to Financial Statement, Continued

NOTE 7 – REIMBURSEMENT AGREEMENT LOSS – GUARANTY FUND (Continued)

In the fiscal year ending June 30, 2001, the Authority made bond and related payments in the amount of approximately \$670,000. In the 2001-2003 biennial budget, the Indiana General Assembly appropriated \$1,000,000 for Heartland bond and related payments. However, bond and related payments for Heartland for the biennium are estimated at \$3,500,000, and will require the Authority to use guaranty funds if the successor company does not assume the obligation to repay the bonds.

The Authority could be obligated to pay the outstanding balance of the bond issue, which would result in recognition of losses in future years. The amount of this contingency is the outstanding principal of the Bonds totaling \$11,900,000. Debt service reserve funds aggregating over \$2,300,000 are currently held in trust and may be available to reduce the contingent obligation.

NOTE 8 – LOANS RECEIVABLE – ENVIRONMENTAL REMEDIATION REVOLVING LOAN FUND (BROWNFIELDS)

Loans receivable in the Environmental Remediation Revolving Loan Fund were comprised of the following at June 30, 2001:

City of Fort Wayne	\$ 396,478
Town of Pierceton	81,396
Monroe County	50,000
Town of Kewanna	45,389
City of Lafayette	13,000
City of Madison	300,000
Hendricks County	767,000
City of Rushville	100,000
City of Shelbyville	293,467
City of South Bend	1,300,000
City of Mishawaka	<u>1,300,000</u>
	4,646,730
Less allowance for forgivable portion of Brownfield loans	<u>(845,093)</u>
	<u>\$ 3,801,637</u>

The Brownfield program includes a partially forgivable loan program, with certain eligibility requirements. Eligible participants have a provision for forgiveness of up to 20% of the original loan balance if certain performance criteria are met. The Authority has recorded an allowance of \$845,093, which represents the full amount available for forgiveness on loans that qualified for the program.

Notes to Financial Statement, Continued

NOTE 9 – LOANS RECEIVABLE – BUSINESS DEVELOPMENT LOAN FUND

In July 2000, the Authority advanced \$1,500,000 under a promissory note to a company within Indiana, \$1,000,000 of which was funded through the Indiana Department of Commerce. A provision of the note allows for \$1,000,000 to be forgiven if certain performance criteria are met. Achievement of performance criteria will be measured at December 31, 2002.

The nonforgivable portion of the note is payable in quarterly installments of \$21,274, including interest at 5.00%, from October 2000 to July 2007. The note is secured by substantially all property, equipment, and inventory of the borrower.

The net loan receivable at June 30, 2001 is \$454,676. The Authority has recorded an allowance of \$1,000,000, which represents the full amount available for forgiveness on the loan.

NOTE 10 – OTHER CONDUIT DEBT OBLIGATIONS

The Authority is permitted by law to issue conduit and certain other types of revenue bonds to finance projects that serve Indiana public purposes outlined by statute. Except as described in Note 7, the Authority's revenue bonds are payable solely from revenues of the Authority specifically pledged thereto. The bonds are not in any respect a general obligation of the Authority or the State of Indiana, nor are they payable in any manner from revenues raised by taxation. The Authority has no power to levy taxes. Pursuant to this authority, the Authority has issued numerous revenue bonds.

NOTE 11 – RESERVED FUND EQUITY

The Authority has reserved fund equity in five special revenue funds for specific purposes as stated in appropriations from the Indiana General Assembly or as designated by the Authority's governing body:

The CAP Fund has a reserve of \$1,486,005 for childcare facility loans as reserved by state appropriations for the biennial appropriations and \$988,739, for the CAP Cash Program.

The Guaranty Fund has a reserve of \$958,700 for child care facility debt service reserves as reserved by state appropriations for the biennial appropriation and \$796,564 reserved by the Authority to pay amounts due under a Reimbursement Agreement.

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Development Finance Authority

Notes to Financial Statement, Continued

NOTE 11 – RESERVED FUND EQUITY (Continued)

The 21st Century Research and Technology Fund has a reserve of \$633,658 for costs of administering the program and providing grant awards to successful grant applicants.

The Environmental Remediation Revolving Loan Fund has a reserve of \$30,000 for current loan and grant commitments as reserved by the Authority.

The Business Development Loan Fund has a reserve of \$1,000,000 for a current loan commitment as reserved by the Authority.

The Underground Storage Tank Fund has a reserve of \$54,559 to return to the State of Indiana General Fund for the year ended June 30, 2001 per state legislation.

NOTE 12 – FINANCING FEES AND PREMIUMS

The Authority may assess a fee or charge a premium on loan guaranties and bond issuances. The following represent amounts recorded for the year ended June 30, 2001:

Guaranty Fund:

Guaranty premiums and fees	\$ 33,544
Loan guaranty application fees	<u>2,000</u>
	<u>\$ 35,544</u>

General Fund:

Bond registration fees	\$ 27,735
Bond application fees	<u>63,500</u>
	<u>\$ 91,235</u>

Notes to Financial Statement, Continued

NOTE 13 – RENT COMMITMENTS

The Authority leases office space pursuant to a non-cancelable operating lease expiring in March 2001. The future minimum rental payments required at June 30, 2001 are approximately \$547,858. A summary of the total minimum lease payments for the lease is as follows:

2002	\$ 113,350
2003	113,350
2004	113,350
2005	113,350
2006	<u>94,458</u>
	<u>\$ 547,858</u>

Rental expense for all operating leases was approximately \$76,000 for the year ended June 30, 2001. The Authority leased space to the Indiana Transportation Finance Authority, the Indiana 21st Century Research & Technology Fund and the Public Finance Office that resulted in rental income of approximately \$17,300 for the year ended June 30, 2001.

NOTE 14 – AGENCY ACCOUNT - MARKET INDIANA

Market Indiana is a public-private partnership designed to support economic development in the State of Indiana. Through Market Indiana, Indiana companies can participate with the Indiana Department of Commerce in various marketing programs to promote economic development in Indiana. The Authority performs certain accounting functions for Market Indiana on behalf of the Indiana Department of Commerce. The assets, fund balance, and results of operations are not included in the financial statements of the Authority. Summarized financial information as of June 30, 2001 and for the year then ended is as follows:

Total assets	<u>\$ 302,136</u>
Fund balance	<u>\$ 302,136</u>
Total revenues	\$ 124,55
Total expenditures	<u>(82,114)</u>
Excess of revenue over expenditures	<u>\$ 42,441</u>

Indiana

Development Finance Authority

Supplementary Schedules

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS June 30, 2001

	Capital Access Program <u>Fund</u>	Guaranty <u>Fund</u>	Business Development Loan <u>Fund</u>	Rural and Agricultural Development <u>Fund</u>	Underground Storage <u>Tank Fund</u>	Environmental Remediation Revolving <u>Loan Fund</u>	Indiana 21st Century Research and <u>Technology Fund</u>	Totals (Memorandum <u>Only</u>)
ASSETS								
Cash and cash equivalents (Note 2)	\$ 1,936,414	\$ 2,052,335	\$ 2,249,937	\$ 546,775	\$ 54,559	\$ 5,472,160	\$ -	\$ 12,312,180
Investments (Note 2)	2,414,369	2,730,439	1,803,702	806,009	-	3,231,940	728,894	11,715,353
Accrued interest	40,967	52,096	30,083	10,600	-	85,712	-	219,458
CAP cash accounts (Note 3)	4,853,367	-	-	-	-	-	-	4,853,367
Due from other funds (Note 4)	-	676,690	-	-	-	500,000	-	1,176,690
Loans receivable, net (Notes 5, 8, and 9)	<u>-</u>	<u>1,053,251</u>	<u>454,476</u>	<u>-</u>	<u>-</u>	<u>3,801,637</u>	<u>-</u>	<u>5,309,364</u>
	<u>\$ 9,245,117</u>	<u>\$ 6,564,811</u>	<u>\$ 4,538,198</u>	<u>\$ 1,363,384</u>	<u>\$ 54,559</u>	<u>\$ 13,091,449</u>	<u>\$ 728,894</u>	<u>\$ 35,586,412</u>
LIABILITIES								
Due to other funds (Note 4)	\$ 84,078	\$ 641,345	\$ 5,163	\$ 21,635	\$ -	\$ 92,884	\$ 95,236	\$ 940,341
Allowance for CAP claims (Note 3)	3,864,628	-	-	-	-	-	-	3,864,628
Allowance for guaranty claims (Note 6)	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>900,000</u>
Total liabilities	<u>3,948,706</u>	<u>1,541,345</u>	<u>5,163</u>	<u>21,635</u>	<u>-</u>	<u>92,884</u>	<u>95,236</u>	<u>5,704,969</u>
FUND EQUITY								
Reserved (Note 11)	2,474,744	1,755,264	1,000,000	-	54,559	30,000	633,658	5,948,225
Unreserved	<u>2,821,667</u>	<u>3,268,202</u>	<u>3,533,035</u>	<u>1,341,749</u>	<u>-</u>	<u>12,968,565</u>	<u>-</u>	<u>23,933,218</u>
Total fund equity	<u>5,296,411</u>	<u>5,023,466</u>	<u>4,533,035</u>	<u>1,341,749</u>	<u>54,559</u>	<u>12,998,565</u>	<u>633,658</u>	<u>29,881,443</u>
	<u>\$ 9,245,117</u>	<u>\$ 6,564,811</u>	<u>\$ 4,538,198</u>	<u>\$ 1,363,384</u>	<u>\$ 54,559</u>	<u>\$ 13,091,449</u>	<u>\$ 728,894</u>	<u>\$ 35,586,412</u>

Supplementary Schedules Continued

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY-SPECIAL REVENUE FUNDS June 30, 2001

	Capital Access Program Fund	Guaranty Fund	Business Development Loan Fund	Rural and Agricultural Development Fund	Underground Storage Tank Fund	Environmental Remediation Revolving Loan Fund	Indiana 21st Century Research and Technology Fund	Totals (Memorandum Only)
REVENUES								
Appropriations	\$ 1,750,000	\$ 1,918,750	\$ 1,000,000	\$ -	\$ -	\$ 2,500,000	\$ -	\$ 7,168,750
Other state funding	-	-	-	-	-	-	16,205,145	16,205,145
Investment earnings, including loan interest	340,519	501,227	171,356	79,328	-	637,147	156,651	1,886,228
Realized and unrealized gain (loss) on investments	37,344	399,351	50,186	48,417	-	178,152	-	713,450
Financing fees and premiums (Note 12)	-	35,544	-	-	-	-	-	35,544
Total revenues	<u>2,127,863</u>	<u>2,854,872</u>	<u>1,221,542</u>	<u>127,745</u>	<u>-</u>	<u>3,315,299</u>	<u>16,361,796</u>	<u>26,009,117</u>
EXPENDITURES								
Salaries and benefits	-	-	-	-	-	-	205,935	205,935
Administrative expenses	-	20,063	-	-	-	645	500,704	521,412
Bank and trustee fees	4,858	7,143	4,484	1,553	33	9,830	468	28,369
Allowance for guaranty claims (Note 6)	-	598,737	-	-	-	-	-	598,737
Allowance for forgivable loans (Notes 8 and 9)	-	-	1,000,000	-	-	765,093	-	1,765,093
Reimbursement agreement loss (Note 7)	-	4,031,122	-	-	-	-	-	4,031,122
Grant awards	-	-	-	-	19,700	534,859	17,259,132	17,813,691
Capital access program	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	\$ 1,104,310	\$ (1,802,193)	\$ 217,058	\$ 126,192	\$ (19,733)	\$ 2,004,872	\$ (1,604,443)	\$ 26,063
Operating transfers	<u>(192,021)</u>	<u>(258,619)</u>	<u>(11,791)</u>	<u>(38,488)</u>	<u>-</u>	<u>(212,133)</u>	<u>-</u>	<u>(713,052)</u>
Increase (decrease) in fund equity	912,289	(2,060,812)	205,267	87,704	(19,733)	1,792,739	(1,604,443)	(686,989)
FUND EQUITY								
Beginning of year	<u>4,384,122</u>	<u>7,084,278</u>	<u>4,327,768</u>	<u>1,254,045</u>	<u>74,292</u>	<u>11,205,826</u>	<u>2,238,101</u>	<u>30,568,432</u>
End of year	<u>\$ 5,296,411</u>	<u>\$ 5,023,466</u>	<u>\$ 4,533,035</u>	<u>\$ 1,341,749</u>	<u>\$ 54,559</u>	<u>\$ 12,998,565</u>	<u>\$ 633,658</u>	<u>\$ 29,881,443</u>

Indiana

Development Finance Authority

Auditors Report



CROWE CHIZEK

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Indiana Development Finance Authority
State of Indiana

We have audited the financial statements of Indiana Development Finance Authority (Authority) as of and for the year ended June 30, 2001, and have issued our report thereon dated October 23, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Indiana State Board of Accounts and the Indiana State Budget Agency, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

Indianapolis, Indiana
October 23, 2001